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Central Intelligence Agency



Washington, D. C. 20505

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LIBYAN SANCTIONS UPDATE #5 [REDACTED]

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5 September 1986

This report contains information relevant to the US effort to impose sanctions on Libya. It covers the month of August and includes all West European countries plus Argentina, Brazil, Canada, Japan, and South Korea. Some countries are not mentioned because there were no significant developments.

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This report was prepared by the West European Division, Office of European Analysis, with contributions from other offices. Questions and comments are welcome and may be addressed to [REDACTED] Chief, West European Division. [REDACTED]

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Copy 19 of 39

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### Summary

August was probably the quietest month yet in terms of the Libyan sanctions issue. There were no major developments although West European countries may have become somewhat more negative to the US plan to require that oil product exports be certified free of Libyan crude. Most West European leaders probably are inclined to believe recent indications that Libyan leader Qadhafi is renewing his support for terrorism. Their desire to avoid another row with the US over Libya could lead them to agree to symbolic anti-Libyan gestures by the EC, but they are unlikely to pledge much in the way of tangible support for a harder Western line against Tripoli. [REDACTED]

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### BELGIUM

#### Overview

Belgium's economic dealings with Libya have diminished considerably but the government remains opposed to applying economic sanctions to solve political problems. While Brussels has told oil companies it looks down on importing Libyan crude into Belgium, it lacks the legal authority to block such dealings. Belgian officials are also skeptical about the effectiveness of the US certification program. [REDACTED]

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### BRAZIL

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#### Actions Undermining US Sanctions

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[REDACTED] a reputable Brazilian weekly reported this month that, under pressure from arms manufacturers, Brasilia may permit the export to Libya of weapons and equipment that could not be utilized by terrorists, such as tanks and aircraft; small arms and hand grenades would reportedly not be sold. We have no other information to confirm this report. [REDACTED]

### CANADA

#### Overview

Canadian policy towards Libya remains unchanged. The economic sanctions imposed in January remain in place and no new ones are currently being considered. Ottawa almost certainly remains willing to implement additional sanctions if they are part of an Alliance-wide action. [REDACTED]

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[REDACTED]

### FRANCE

#### Overview

Paris continues to quietly support US efforts to clamp down on Libya. In early August, newspapers picked up the story of French government attempts to persuade companies operating in France not to purchase Libyan oil or oil products. Media attention to this issue died down fairly quickly, however. [REDACTED]

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[REDACTED]

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Actions Supporting US Sanctions

The newspaper story on French efforts to cut Libyan oil imports stated that the government had started its quiet efforts in April and that a particularly strong appeal had been made to Elf, the major French oil company. According to the story, BP and Shell were the only companies still buying Libyan oil and the government was preparing written orders to cut off this trade.

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According to the US Embassy, French officials privately confirmed that Elf and Total -- the two major French oil companies -- had ceased importing Libyan oil in mid-April and that the government would continue its discreet efforts to curtail Libyan imports further. The officials expected no public backlash from the untimely publicity.

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France is sticking to its de facto embargo on military spare parts and has received complaints on this score from the Libyan Peoples Bureau in Paris, according to a French official.

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After being approached by the US Embassy concerning allegations that the Libyans were trying to buy tires for Mirage aircraft, French officials later confirmed that one such deal had been squelched and that they would remain alert to other Libyan efforts.

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GREECE

Athens continues to quietly limit relations with Libya, although it still remains reluctant to single Tripoli out as supporting terrorism. [REDACTED]

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Actions Supporting US Sanctions

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The US Embassy reports that Athens has taken several steps which suggest a greater commitment on its part to combat terrorism, although Greece still refuses to single out specific countries for supporting terrorism. Some of these measures include: reducing the staff of the LPB in Athens, tightening security at the Athens airport and seaports, as well as on Greek cruise ships, and the planned addition of special response teams in and around Athens. [REDACTED]

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Actions Undermining US Sanctions

Deputy Prime Minister Haralambopoulos met with the chief of the Libyan Peoples Bureau in Athens on 14 August to discuss "bilateral issues." A government spokesman refused to give any details on the topics discussed. [REDACTED]

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IRELANDOverview

Dublin continues to allow Irish firms to pursue pursue lucrative beef export deals with Libya. [REDACTED]

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Actions Undermining US Sanctions

The Purcell Group recently announced a record \$200 million deal with Libya for the sale of cattle, beef, and Australian sheep. The actual shipments likely will be significantly lower, however, due reduced Libyan purchasing power and other market conditions. [REDACTED]

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ITALYOverview

Rome reacted nervously to the recent US-Egyptian maneuvers in the Mediterranean. In a 28 August speech to his Cabinet, Prime Minister Craxi said that Libyan-sponsored terrorism has abated substantially in recent months and that there was no justification for military action against Tripoli at this time. He further stated that Italy would work closely with its allies to reduce tensions in the Mediterranean. [REDACTED]

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Actions Supporting US Sanctions

Italian judges in Rome and Milan, responding to a request by an Italian firm owed \$4.8 million by a Libyan state-owned company, froze Libyan assets worth \$24 million in five Italian banks pending a hearing scheduled for May 1987. About 20 other firms owed money by Tripoli are considering similar action. A move by two of the banks to have the assets released was denied by a Milan judge, but further court action by the banks and the Libyan government is expected in September. [REDACTED]

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Actions Undermining US Sanctions

[REDACTED]

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Rome has refused to sever civil aviation connections with Libya because cutting off air service would strand the considerable number of Italian citizens living in Libya. [REDACTED]

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Although willing to consider the proposed certification program for refined petroleum products, Rome has many reservations about the policing of such a program and its effectiveness in reducing the use of Libyan crude. A Ministry of Foreign Affairs official claims that Italy does not export enough refined product derived from Libyan crude to justify such a program. Rome has been coordinating its position on the certification program with the other EC countries. [REDACTED]

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Rome recently allowed the Arab Banking Corporation's Milan branch to grant a \$24 million loan to the Libyan Arab Foreign

[REDACTED]

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Investment Company. The company owns 14 percent of Fiat and the money probably was used to partially finance its participation in Fiat's latest share capital increase. [REDACTED]

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## JAPAN

### Overview

Japanese economic contacts with Libya have not changed significantly in the last month. Japanese firms continue to be active in Libya, albeit on a fairly small scale, but we have no new indication that companies are violating Tokyo's guidance not to fill in behind US firms and not to broker sales of Libyan crude oil. Japanese Foreign Ministry officials have promised the State Department to "look into" allegations concerning Japanese participation in large-scale construction projects. [REDACTED]

### Actions Supporting US Sanctions

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Japan's trade with Libya is currently slightly below last year's level (which was sharply reduced from 1984 levels) and is unlikely to increase sharply in the near future. Much of the drop in Japanese exports to Libya from 1984 to 1985 was due to decreased motor vehicle shipments, and new shipments are not imminent because Tripoli and Japanese automakers have not agreed to contract terms. [REDACTED]

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MALTAOverview

Trade disputes and Libya's inability to deliver on several investment promises have led to a deterioration in Maltese-Libyan relations in the last six months. Prime Minister Mifsud Bonnici's recent sharp criticism of the Libyan government illustrates Valletta's frustration with Tripoli in economic matters, but does not signal any softening of Maltese criticism of US actions against Libya. [REDACTED]

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Actions Undermining US Sanctions

Prime Minister Bonnici attended ceremonies in Tripoli on 1 September celebrating the anniversary of the Libyan revolution. Before leaving Malta, Bonnici reportedly contacted representatives of the Italian and British governments to reaffirm his willingness to relay messages to Qadhafi. [REDACTED]

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NETHERLANDSOverview

The Hague continues to encourage Dutch firms not to undermine US sanctions and Dutch economic relations with Libya are small. Dutch officials have told our Embassy the government does not have the legal authority to ban imports of Libyan crude and is unwilling to take any further action without an EC agreement. [REDACTED]

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PORTUGALOverview

Portugal's stance on Libya essentially remains unchanged. Lisbon recognizes Tripoli's role in international terrorism, and would agree to multilateral efforts to combat it. Portugal will only impose economic sanctions, however, if the EC agrees to do so. [REDACTED]

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## SPAIN

### Overview

Madrid agrees with the US fight against terrorism, but opposes military action. It continues to emphasize that it will not impose economic sanctions against Libya independently of the European Community. Spain places twelfth among all suppliers of refined oil products to the US, and initial reactions to the proposed US ban on oil imports derived from Libyan crude have been negative. [REDACTED]

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### Actions Supporting US Sanctions

In response to a Libyan request to support their International Court of Justice case against the US, a foreign ministry official said that Spain will follow the Community line which will probably not commit the EC to a course of action. He added that the subject is not a high priority item in Madrid and suspects that the initiative will not get very far. [REDACTED]

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### Actions Undermining US Sanctions

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The Embassy reports that attempts to discuss the technical details of the proposed certification system for US oil imports with three Spanish officials were not successful. The officials made clear that they will not take action until a decision has been made at the political level on how to respond to the US request. [REDACTED]

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Madrid has reiterated that economic sanctions against Libya should only be adopted within the framework of the European Community. Spain will not act independently. [REDACTED]

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#### TURKEY

Ankara continues to pursue economic relations with Libya in an attempt to revive slumping bilateral trade and secure payment of debt owed by Libya to Turkish contractors. Ankara responded forcefully to criticism by Tripoli of its raid on Kurdish rebels in Iraq, but it probably will not allow the issue to become a major problem between the two countries. [REDACTED]

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#### Actions Supporting US Sanctions

A government spokesman accused Libya of interfering in its internal affairs by criticizing Turkey's 15 August attack against Kurdish insurgents in Iraq. [REDACTED]

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#### Actions Undermining US Sanctions

Turkish Minister of Industry and Technology Cahit Aral visited Libya on 20-24 August to discuss Turkish-Libyan economic relations. Aral met with Qadhafi for 1 1/2 hours to brief him on the Turkish cross-border action in Iraq. [REDACTED]

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Libyan Ambassador Abdulmalik reportedly was still in Turkey as of 7 August, despite Turkish assurances to US officials that he would depart Turkey. Abdulmalik, who apparently was in Turkey without the knowledge of Turkish officials, has been implicated in the attempted bombing of a US officers' club in Ankara last April. [REDACTED]

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#### UNITED KINGDOM

##### Overview

London remains vigorously opposed to economic sanctions against Libya. The British agree with the US objective of reducing Libyan oil exports but have doubts about the effectiveness of a US embargo on products derived from Libyan crude. Energy officials have expressed a desire to be exempted from the proposed certification program because British imports of crude from Libya and exports of refined products to the US are both small. The British believe it is necessary to persuade Libya's major customers -- such as West Germany and Italy -- to cease importing Libyan oil to make the US policy effective and they have worked unsuccessfully for an EC-wide embargo of Libyan oil. London is not enthusiastic about abrogating its air agreement with Libya by banning Libyan Arab Airlines flights because it believes it would lead to an unwanted court challenge. [REDACTED]

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##### Actions Supporting US Sanctions

British Caledonian Airlines has suspended flights to Libya in the wake of the diversion of two Airbus to Libya. Government officials have told our Embassy they believe the suspension will be lengthy. [REDACTED]

##### Actions Undermining US Sanctions

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According to an American businessman, the British company David B. Searle and Associates bought \$250,000 worth of tractor parts from an American company for resale to Libya in late July/early August. [REDACTED]

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WEST GERMANY

Overview

Bonn has reiterated that it considers economic sanctions ineffectual. West German officials attribute this year's sharp decline in bilateral trade with Libya, and Bonn's recent decision to grant Libya no new export credit guarantees, to Libya's declining economy. West Germany has no official policy to discourage trade with Libya. [REDACTED]

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Actions Undermining US Sanctions

In response to the US demarche on making Libya a residual oil supplier, West German officials state that they have no legal means to force domestic firms to switch to non-Libyan oil, nor are they encouraging them to do so. [REDACTED]

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West German officials have informed the US Embassy that they will not impose a certification system to insure that products refined from Libyan crude are not shipped to the US. They contend that the probability of any such shipments occurring is too low to justify the cost of a certification system. [REDACTED]

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SUBJECT: Libyan Sanctions Update #5 [REDACTED]

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